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INFO RUCNCIS/CIS COLLECTIVE

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RUEHVEN/USMISSION USOSCE 2881

UNCLAS SECTION 01 OF 02 ASHGABAT 001227

SIPDIS

SENSITIVE

STATE FOR SCA/CEN, EUR/ACE, EEB

AID/W FOR EE/EA

E.O. 12958: N/A

TAGS: PGOV PREL EAID TX

SUBJECT: TURKMENISTAN: SUPREME COUNCIL APPROVES USAID ACCOUNTING CERTIFICATION PROGRAM

REF: A. ASHGABAT 0534

B. ASHGABAT 0564

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: In response to a June 2 diplomatic note from USAID to the Supreme Council of Science and Technology, the Ministry of Foreign Affairs conveyed on September 4 the "Turkmen Side's consent to implementation of the Certified International Accountant Practitioner (CIPA) program in Turkmenistan and to organization of accounting training on the basis of a CIPA program for the lecturers of the higher educational institutions of Turkmenistan." Official consent to the USAID-initiated accounting testing and certification program paves the way for expanded capacity-building activities required to support implementation of International Financial Reporting Standards in Turkmenistan. The recognition will also allow private-sector training providers to expand their contributions to building these essential skills. The Turkmen side's positive response highlights the importance of continuing USAID support for International Financial Reporting Standards transition despite current budget realities (\$450,000 in FY08) that limit the potential scope of U.S. engagement. END SUMMARY.

REFORMS ARE CORNERSTONE FOR INVESTMENT AND TRANSPARENCY

¶3. (U) USG representatives have consistently stressed the importance of accounting reform as a fundamental step in creating a market economy capable of attracting investment and promoting a wide range of economic transparency issues, such as corruption, tax fraud, and money laundering. Most of the countries in Central Asia have long recognized the benefit of having financial reporting based on international standards and of having well-trained, competent accountants and auditors to apply those standards objectively.

¶4. (U) Although it formally announced its intentions to introduce International Financial Reporting Standards by adopting a Law on Accounting in 2003, Turkmenistan has made few strides toward this goal. Not only has the government not taken basic steps to prepare for implementing the law, it has not begun to build the capacity required to implement International Financial Reporting Standards

outside the banking sector. USAID's accounting reform project organized a conference dedicated to the introduction of International Financial Reporting Standards into the accounting system of Turkmenistan on April 29, which was a positive step in raising this key issue before a variety of stakeholders (Ref A).

¶5. (U) Another USAID goal is the integration of the CAP/CIPA courses into the curricula of higher education institutions (HEIs). Existing CAP course materials have been introduced into 46 universities in four countries of Central Asia after training 276 university professors. In Turkmenistan, no universities have yet adopted the CAP courses, although plans for a new university curriculum are reportedly under development.

¶6. (SBU) COMMENT: Although CAP and CIPA courses are currently available for banking sector staff and interested private citizens on a limited basis, official consent to the USAID-initiated accounting testing and certification program paves the way for expanded capacity-building activities required to support implementation of International Financial Reporting Standards in Turkmenistan. The program's formal recognition will also allow private-sector training providers to expand their contributions to building these essential skills. Furthermore, the September 4 reply, which agreed to USAID's offer to train university lecturers, raises the possibility of introduction of the CAP/CIPA courses into the new curriculum. If institutionalized in this way, graduating students would be prepared to sit for certification exams immediately, without the need for retraining. This would help Turkmenistan to make significant strides towards closing the gap in certified accountants it currently faces relative to its Central Asian neighbors. END COMMENT.

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